

**STATEMENT OF F. JOSEPH MORAVEC
COMMISSIONER
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U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE**

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT, PUBLIC BUILDINGS
AND EMERGENCY MANAGEMENT**

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
UNITED STATES HOUSE OF REPRESENTATIVES**

JULY 9, 2003



Good morning, Mr. Chairman and Members of the Subcommittee. My name is F. Joseph Moravec and I am the Commissioner of the Public Buildings Service, U.S. General Services Administration (GSA). Thank you for inviting me here today to discuss the General Services Administration's fiscal year 2004 Capital Investment and Leasing Program. It is a pleasure to appear again before the Subcommittee.

The PBS mission is to deliver a superior workplace to the Federal worker and at the same time superior value to the American taxpayer. Our Capital Investment and Leasing Program plays a key role in providing the necessary resources to maintain current real property assets and acquire new or replacement assets.

The capital program supports several portfolio objectives:

- Optimize the value of our portfolio of owned assets;**
- Maximize Federal Buildings Fund (FBF) income by enhancing current asset productivity through needed reinvestment and by acquiring new assets to meet emerging long-term Federal requirements;**
- Reduce the drain on FBF income by redeploying assets that are not financially self-sustaining and/or for which there is not a substantial, long-term Federal purpose;**
- Ensure the continued functionality of our buildings and safeguard the health and life-safety of their occupants; and**
- Provide quality workspace in support of the mission-related goals of tenant Federal agencies.**

We evaluate proposed capital projects in the context of the entire national portfolio. We consider three options to meet our client agency requirements: construction and acquisition of new facilities; repair and alteration of existing facilities; or leasing space from the private sector.

Funding Repairs and Alterations (R&A) continues to be the top priority for the Federal Buildings Fund. To allocate the resources of the Fund for R&A projects, PBS benchmarks its capital reinvestment level in a manner similar to that used by large real estate firms in the private sector. The following elements comprise our portfolio strategy for restructuring and reinvesting in the owned inventory:

- Assessing the financial performance of the portfolio, building by building, and stratifying these assets into three tiers: performing, under-performing, and non-performing;**
- Directing capital resources primarily toward performing assets with a workout or disposal strategy for under- and non-performing assets;**
- Allocating capital resources consistent with asset investment priorities based on our client agencies' missions and service satisfaction levels, our socio-economic responsibilities to communities, historic preservation laws, build green initiatives, procurement preference, issues concerning health and life-safety.**

We are requesting \$1.013 billion for R&A to maintain and improve those properties that are in GSA's inventory for which there is a continuing Federal need and which are capable of being economically self-sufficient.

The highlights of GSA's fiscal year 2004 Repair and Alterations Program include:

- **\$365 million for the Basic Program;**
- **\$583 million for prospectus-level limited scope projects (\$68 million is for life and fire safety features);**
- **\$5 million for the chlorofluorocarbons (CFC) program;**
- **\$5 million for the Energy program;**
- **\$20 million for the Glass Fragmentation program; and**
- **\$35 million for the Design program.**

The proposed Repairs and Alterations Program is the largest such program in recent history. The facilities in our portfolio have a replacement value of about \$35 billion. The FY 2004 request is a major step toward addressing the inventory of repairs and alterations needs that has been verified by the General Accounting Office in its March 30, 2000, report "Federal Buildings: Billions Are Needed for Repairs and Alterations." GSA customers, the real estate industry, and civic groups already recognize GSA for its cost-effective modernization projects in older and legacy buildings. However, these same groups also cite the agency's inability to adequately maintain the overall GSA portfolio. Many of these buildings are physically deteriorated, have ineffective or inadequate mechanical systems, and are outdated to the point of being functionally obsolete. GAO's report noted

that, without increased levels of funding, the continued degradation would result in an irreversible loss of real estate assets and a grave national liability in providing adequate workspace for the Federal workforce. However, GAO also noted that, with proper maintenance and repair, the deterioration of these national assets could be reversed and the needs of agencies and the public could be met safely and efficiently.

GSA does a commendable job of rehabilitating existing buildings. When these buildings are renewed, they provide:

- A better class of workspace for Federal employees;**
- A safer and more healthful work environment;**
- Increased energy efficiency;**
- Greater access for the handicapped;**
- Additional rentable workspace through realignment or addition; and**
- A positive return on the public investment.**

Our budget request is based on a strategy designed to ensure the most efficient use of capital resources. Rather than treating all assets with identified deficiencies as having an equal claim to reinvestment, we will focus reinvestment dollars on those properties that are financially self-sustaining and for which there is a long-term Federal need. We will cull the portfolio of those properties no longer needed and which are unable to

generate income sufficient to meet their operating expenses and capital reinvestment needs.

We are also requesting a significant Construction and Acquisition of Facilities program of \$401 million. New construction is recommended where it will meet the new housing needs of a specific Federal agency or where it will consolidate several dispersed agencies with economically feasible long-term needs in a given locality. PBS traditionally pursues a construction and ownership solution for special purpose and unique facilities (such as border stations and courthouses), which are not readily available in the real estate market. Our construction request includes funding for site acquisition, design, construction, and the management and inspection costs of these Federal facilities.

The highlights of GSA's fiscal year 2004 Program include:

- \$186 million for eight Border Station projects;**
- \$146 million for construction of a new second building for the Department of Commerce, Bureau of the Census, to be located at the Suitland Federal Center in Maryland;**
- \$58 million for construction of a new facility for the Federal Bureau of Investigation in Houston, TX; and**
- \$10 million for non-prospectus projects.**

This year we have submitted 12 lease prospectuses for your consideration. As you know, lease prospectuses are not tied to GSA's budget request for line item funding of individual projects. Leasing requirements emerge on a continuing basis throughout the year, and many reflect critical changes in tenant agency missions that cannot be deferred for future year consideration. Although, we attempt to provide the subcommittee with as many of these requirements as possible for consideration along with the capital program, we do expect to submit some additional lease prospectuses in the coming months.

The highlights of the program include proposed leasing actions in the following geographical areas: Washington, DC (3); Suburban Maryland (4); Las Vegas, NV (1); and Northern Virginia (4). Except for three proposals, these prospectuses request authorization to proceed with 10 year space leases through competitive procurements.

As you know, we are also asking Congress for new tools to improve asset management. Last year, the Administration developed a legislative proposal to amend the Federal Property and Administrative Services Act of 1949 in order to enhance and modernize asset management government wide. Mr. Chairman, I commend the efforts of this Committee in recently introducing and reporting out its own property reform measure, H.R. 2573. While GSA is still studying the bill, I would like to commend you for your

leadership and for this Committee's continued efforts to enhance GSA's portfolio management authorities. Broader provisions included in the Administration's bill, however, provide a total asset management approach to real and personal property issues that we believe are very important. Specifically, these provisions would:

- Introduce life-cycle planning and management;
- Authorize agencies to sub-lease, out-lease, exchange and sale of capital assets;
- Allow agencies to keep some portion of the proceeds from sales of surplus real and personal property; and
- Streamline asset management.

Our hope is that Congress will be able to consider and pass more **comprehensive property reform** legislation during the current session, and I pledge our cooperation to work with the Congress to achieve that goal.

Mr. Chairman, this concludes my formal statement. I would be glad to answer any questions that you or Members of the Subcommittee may have about our proposed fiscal year 2004 Capital Investment and Leasing Program, or any other aspects of the public buildings program.